

Agenda Date: September 22, 2016
Item Number: A1

Docket: UE-160977
Company: Puget Sound Energy

Staff: David Nightingale, Sr. Regulatory Engineering Specialist
Jason Ball, Regulatory Analyst

Recommendation

Take no action, thereby allowing Puget Sound Energy's proposed tariff Schedule No. 139 to become effective by operation of law on September 23, 2016.

Discussion

On August 1, 2016, Puget Sound Energy (PSE or company) filed new Schedule 139, offering Voluntary Long Term Renewable Energy to large customers and government entities in Docket UE-160977. On September 8, 2016, PSE filed replacement pages and additional narrative. This tariff filing was made pursuant to RCW 19.29A.090(1), which requires electric utilities to offer "retail electricity customers qualified alternative energy resources." Although the company already meets this basic statutory requirement through its existing Schedules 135 and 136, the new Schedule 139 offers another long-term qualified renewable energy product to certain large and governmental customers which also satisfy the requirements in RCW 19.29A.090.

Customer Eligibility

The proposed Schedule 139 would be made available to only PSE customers taking retail electric service under Schedules 24, 25, 26, 31, 40, 43, 46, and 49. These are PSE's non-residential retail electricity customers. Excluded from the proposed Schedule 139 are PSE customers that pay only for transmission and distribution services and are not retail electricity customers.¹

The New Green Power Option

Schedule 139 allows customers who annually purchase over 10 million kWh of energy or government customers to purchase long-term bundled green energy from PSE. To provide the energy to serve this tariff, PSE will purchase approximately equivalent amounts of green energy from specific suppliers, also under long-term contracts. The total energy supplied to customers through this tariff is capped at 75 MW. Green energy will not be supplied in real time but rather, over the course of a year, will be balanced to match the green power supply with the subscribed customer demand. The green energy supply will be tracked through WREGIS and Green-E, systems that are already part of the administrative costs of this tariff.

¹ RCW 19.29A.090(1) does not require PSE to offer green power to customers who do not take retail electric energy service, such as PSE customers under Schedules 448 and 449. These are large customers who buy their electric energy from the market and take the delivered energy at primary (over 600 volts) or high voltage (over 50 kV).

As a voluntary program, qualified large retail energy customers have the option to contract for all of their energy supplied from specific alternative energy sources in place of their usual scheduled volumetric rates. This will be reflected on participating customers' bills where the energy costs associated with their regular schedule are removed and replaced with energy cost from the specific alternative energy source acquired. The replacement alternative energy costs will include administrative costs of the Schedule 139 tariff.

Accounting for energy supply contracts

Under the proposed Schedule 139, revenues and costs will vary somewhat from year to year based on customer demand, weather, conservation measures implemented, and the variability of the wind resource anticipated by the company to supply the green energy.

Actual costs and revenues associated with the PPA contract to serve Schedule 139 customers will automatically be detailed in the workpapers of future Power Cost Adjustment (PCA). These filings identify separately Schedule 139 from other revenues and expenses and provide parties the ability to examine how any excess power associated with a Schedule 139 PPA is treated to insure that the rest of PSE's customer base is not subsidizing costs that have been incurred to supply power to customers that opt to take service under Schedule 139.

Interested parties discussions

Staff held a series of informal discussions with interested parties in person and via conference call. Discussions included representatives from: Public Counsel, Northwest Energy Coalition, Industrial Customers of Northwest Utilities, World Resources Institute, Puget Sound Energy, Dept. of Commerce, Renewable Northwest, and King County. In addition, written comments were filed in this docket by Target, King County, World Resources Institute, and Wall Mart is expected to submit comments. All interested parties' comments were generally supportive of the establishment of Schedule 139.

After the initial discussions where the nature and function of the proposed tariff was explored, later discussion revolved around two issues. First, there was concern about the acquisition of the best reasonably priced resources to supply these voluntary customers' needs. The company will engage interested parties in advance of acquiring the next set of resources or filing the next tariff revision in this schedule to assure that the best priced resources are acquired through a more open process.

The other issue of concern revolved around potential cross subsidies between Schedule 139 and other customer classes. In the event that the subscription to Schedule 139 is less than the energy supply PPA, prudence review, through the subsequently PCORC or GRC, would need to occur to assure no cross-subsidization. For its part, PSE has indicated that the resource will be acquired at least cost for the whole rate base portfolio, all customers classes, and anticipates that it will be

found to be prudent for the recovery of the cost associated with that acquisition, resulting in no preferential rate discrimination to any retail customer class.

Conclusion

Staff believes this new service is a useful effort to meet the needs of PSE's customers. The commission should take no action, thereby allowing Puget Sound Energy's proposed tariff Schedule No. 139 to become effective by operation of law on September 23, 2016.